

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ST JAMES TOWNSHIP	County CHARLEVOIX
Fiscal Year End MARCH 31, 2006	Opinion Date JUNE 16, 2006	Date Audit Report Submitted to State OCTOBER 25, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

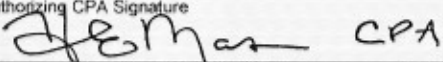
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MASON & KAMMERMANN, PC		Telephone Number 231-547-4911	
Street Address 110 PARK AVENUE		City CHARLEVOIX	State MI
		Zip 49720	
Authorizing CPA Signature 	Printed Name Hugh E Mason, CPA		License Number 0101008161

ST. JAMES TOWNSHIP  
CHARLEVOIX COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended March 31, 2006

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# **St. James Township**

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# **St. James Township**

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 16, 2006

Members of the Township Board  
St. James Township  
Beaver Island, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of St. James Township of Beaver Island, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

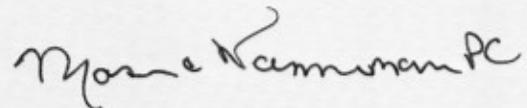
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of St. James Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of July 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mason & Kammermann, P.C.  
Certified Public Accountants

# **St. James Township**

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## **Management's Discussion & Analysis June 16, 2006**

This section of St. James Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2006.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). St. James Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of St. James Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of St. James Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the modified accrual basis of accounting.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. St. James Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. St. James Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the

# **St. James Township**

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## **Management's Discussion & Analysis June 16, 2006**

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

St. James Township maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General,

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

### **Proprietary Funds**

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the sewer operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.



# St. James Township

## Management's Discussion & Analysis June 16, 2006

### Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of March 31, 2006:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets	\$ 396,543	\$ 33,324	\$ 429,867
Noncurrent Assets, net	1,644,412	901,864	2,546,276
Total Assets	2,040,955	935,188	2,976,143
<b><u>Liabilities and Net Assets</u></b>			
Current Liabilities	58,991	-	58,991
Long-Term Liabilities	551,000	-	551,000
Total Liabilities	609,991	-	609,991
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,038,412	901,864	1,940,276
Restricted	112,140	-	112,140
Unrestricted	280,412	33,324	313,736
Total Net Assets	<u>\$ 1,430,964</u>	<u>\$ 935,188</u>	<u>\$2,366,152</u>

The total net assets are \$2,366,152 for the Township. The township has \$280,412 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

# St. James Township

## Management's Discussion & Analysis June 16, 2006

The following table shows how activities affected changes in net assets during the fiscal year.

### Changes in Net Assets For the Year Ended March 31, 2006

	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>			
Program Revenues			
Charges for Services	\$ 6,861	\$ 63,654	\$ 70,515
Operating Grants & Contributions	33,878	29,989	63,867
General Revenues:			
Property Taxes	224,087	-	224,087
Special Assessment	30,134	-	30,134
Administrative Fees	10,375	-	10,375
State Shared Revenues	29,176	-	29,176
Interest	1,467	80	1,547
Other	12,994	2,700	15,694
<b>Total Revenues</b>	<b>348,972</b>	<b>96,423</b>	<b>445,395</b>
<b>Expenses:</b>			
Legislative	70,091	-	70,091
General Government	115,980	-	115,980
Community & Economic Development	2,902	-	2,902
Public Safety	81,715	-	81,715
Public Works	27,840	111,294	139,134
Recreation and Cultural	91,900	-	91,900
Interest on Long-Term Debt	12,477	-	12,477
<b>Total Expenses</b>	<b>402,905</b>	<b>111,294</b>	<b>514,199</b>
<b>Change in net assets</b>	<b>\$ (53,933)</b>	<b>\$ (14,871)</b>	<b>\$ (68,804)</b>

### Revenue sources and changes

Total revenue from all sources totaled \$445,395, of which \$348,972 was from governmental activities and \$96,423 was from business-type activities. Revenue from governmental activities consists primarily of \$224,087 (64%) from property taxes, \$33,878 (10%) from operating grants and contributions, \$30,134 (9%) from special assessments, and \$29,176 (8%) from state revenue sharing.

# **St. James Township**

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## **Management's Discussion & Analysis June 16, 2006**

### **Expenses**

Using the full accrual basis of accounting, the Township spent \$402,905 on governmental activities. This equates to 29% on general government, 23% on recreation and culture, 20% on public safety, 17% on legislative activities, 7% on public works, 3% on interest on long-term debt and 1% on community and economic development.

### **Business-type Activity Highlights**

Business-type activities show a decrease in net assets of \$14,871 on revenues of \$96,423. Revenue for business-type activities consists primarily of \$63,654 (66%) from charges for services and \$29,989 (31%) from grants.

### **Financial Analysis of the Township's Funds**

At March 31, 2006, the Township's governmental funds reported a combined cash of \$360,788 for governmental activities.

Expenditures in the General Fund exceeded revenues by \$18,994, which was due to actual expenditures being higher than expected revenues.

The Debt Service Fund had a \$21,504 increase in its fund balance this year. This was due to receiving a special tax assessment.

The Fire Fund had a \$38,578 decrease in its fund balance this year. This was also due to revenues not reaching anticipated amounts.

The Road Fund had an \$8,468 increase in its fund balance for the year. This was mainly due to expenditures being less than projected.

The nonmajor funds had a \$1,556 decrease in their collective fund balance.

### **Capital Assets**

At fiscal year ended March 31, 2006, the Township has \$1,644,412 in governmental capital assets, net of accumulated depreciation. During the year, the Township invested \$11,903 in solely owned equipment. In agreement with Peaine Township, they spent \$17,007 on jointly owned equipment.

Likewise, the Township had \$901,864 in capital assets, net of accumulated depreciation for business-type activities. In agreement with Peaine Township, they spent \$23,209 on jointly owned building improvements.

# **St. James Township**

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## **Management's Discussion & Analysis June 16, 2006**

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and improvements, buildings and improvements, infrastructure and equipment. The Township uses straight-line depreciation for all depreciable assets.

### **Long-Term Debt**

The Township had \$606,000 of outstanding long-term debt for governmental activities as of March 31, 2006.

### **Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget could mean further reductions in state-shared revenues.

### **Requests for Information**

This financial report is designed to provide a general overview of St. James Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact St. James Township, 37735 Michigan Ave, Beaver Island, MI 49782.

# St. James Township

## Statement of Net Assets March 31, 2006

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 360,788	\$ 33,047	\$ 393,835
Due From Other Funds	2,010	-	2,010
Accounts Receivable	-	277	277
Taxes Receivable	33,745	-	33,745
Total Current Assets	396,543	33,324	429,867
<b>Noncurrent Assets</b>			
Capital Assets	2,394,661	987,196	3,381,857
Less: Accumulated Depreciation	(750,249)	(85,332)	(835,581)
Total Noncurrent Assets	1,644,412	901,864	2,546,276
Total Assets	2,040,955	935,188	2,976,143
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accrued Payroll Taxes	3,991	-	3,991
Current Portion of Long-Term Debt	55,000	-	55,000
Total Current Liabilities	58,991	-	58,991
<b>Long-Term Liabilities</b>			
Long-Term Debt, net of Current Portion	551,000	-	551,000
Total Liabilities	609,991	-	609,991
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,038,412	901,864	1,940,276
Restricted	112,140	-	112,140
Unrestricted	280,412	33,324	313,736
Total Net Assets	\$ 1,430,964	\$ 935,188	\$ 2,366,152

The accompanying notes are a part of the financial statements.

# St. James Township

## Statement of Activities For The Year Ended March 31, 2006

	Program Revenues				Net Revenue (Expense) and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Legislative	\$ 70,091	\$ -	\$ -	\$ -	\$ (70,091)	\$ -	\$ (70,091)
General Government	115,980	2,400	33,878	-	(79,702)	-	(79,702)
Community & Economic Development	2,902	4,461	-	-	1,559	-	1,559
Public Safety	81,715	-	-	-	(81,715)	-	(81,715)
Public Works	27,840	-	-	-	(27,840)	-	(27,840)
Recreation and Cultural	91,900	-	-	-	(91,900)	-	(91,900)
Interest on Long-Term Debt	12,477	-	-	-	(12,477)	-	(12,477)
Total Government Activities	402,905	6,861	33,878	-	(362,166)	-	(362,166)
Business-type Activities							
Yacht Dock	105,554	56,361	29,989	-	-	(19,204)	(19,204)
Sewer	5,740	7,293	-	-	-	1,553	1,553
Total Business-Type Activities	111,294	63,654	29,989	-	-	(17,651)	(17,651)
Total Primary Government	\$ 514,199	\$ 70,515	\$ 63,867	\$ -	(362,166)	(17,651)	(379,817)
General Revenues:							
Taxes:							
Property Taxes					224,087	-	224,087
Special Assessment					30,134	-	30,134
Administrative Fees					10,375	-	10,375
State Shared Revenues					29,176	-	29,176
Interest					1,467	80	1,547
Other					12,994	2,700	15,694
Total General Revenues					308,233	2,780	311,013
Change in Net Assets					(53,933)	(14,871)	(68,804)
Net Assets - April 1, 2005					1,484,897	950,059	2,434,956
Net Assets - March 31, 2006					\$ 1,430,964	\$ 935,188	\$ 2,366,152

The accompanying notes are a part of the financial statements.

# St. James Township

## Governmental Funds Balance Sheet March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Road</u>	<u>Fire</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 261,978	\$ 59,019	\$ 28,041	\$ 9,000	\$ 2,750	\$ 360,788
Due from Other Funds	2,010	-	-	-	-	2,010
Taxes Receivable	20,415	-	8,887	4,443	-	33,745
Total Assets	<u>\$ 284,403</u>	<u>\$ 59,019</u>	<u>\$ 36,928</u>	<u>\$ 13,443</u>	<u>\$ 2,750</u>	<u>\$ 396,543</u>
 <u>Liabilities and Fund Equity</u>						
Liabilities:						
Accrued Payroll Taxes	\$ 3,991	\$ -	\$ -	\$ -	\$ -	\$ 3,991
Fund Equity:						
Unreserved	280,412	59,019	36,928	13,443	-	389,802
Unreserved, reported in nonmajor:						
Cemetery Fund	-	-	-	-	1,250	1,250
Liquor Found	-	-	-	-	1,500	1,500
Total Fund Balance	<u>280,412</u>	<u>59,019</u>	<u>36,928</u>	<u>13,443</u>	<u>2,750</u>	<u>392,552</u>
Total Liabilities & Fund Equity	<u>\$ 284,403</u>	<u>\$ 59,019</u>	<u>\$ 36,928</u>	<u>\$ 13,443</u>	<u>\$ 2,750</u>	<u>\$ 396,543</u>

The accompanying notes are a part of the financial statements.

# St. James Township

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## Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2006

Total Fund Balances - Governmental Funds	\$	392,552
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Bonds Payable	(551,000)
Current Maturities of Debt, Due in One Year	(55,000)

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Cost of Capital Assets	2,394,661
Accumulated Depreciation	<u>(750,249)</u>

Total Net Assets - Governmental Activities	<u><u>\$</u></u>	<u>1,430,964</u>
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The accompanying notes are a part of the financial statements.



# St. James Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2006

	General	Debt Service	Road	Fire	Other Nonmajor Funds	Total
<b>Revenues:</b>						
Property Taxes	\$ 137,466	\$ -	\$ 57,742	\$ 28,879	\$ -	\$ 224,087
Special Assessment	-	30,134	-	-	-	30,134
Administrative Fees	10,375	-	-	-	-	10,375
State Shared Revenue	27,356	-	-	-	1,820	29,176
Contributions from Governmental Units	33,878	-	-	-	-	33,878
Charges for Services	2,400	-	-	-	-	2,400
Licenses & Permits	4,461	-	-	-	-	4,461
Interest	1,127	140	-	200	-	1,467
Other	11,477	-	-	1,517	-	12,994
<b>Total Revenues</b>	<b>228,540</b>	<b>30,274</b>	<b>57,742</b>	<b>30,596</b>	<b>1,820</b>	<b>348,972</b>
<b>Expenditures:</b>						
Current:						
Legislative	54,568	-	-	15,523	-	70,091
General Government	91,564	-	-	-	1,785	93,349
Community & Economic Development	2,902	-	-	-	-	2,902
Public Safety	14,284	-	-	35,665	1,591	51,540
Public Works	3,499	-	16,797	-	-	20,296
Recreation and Cultural	76,813	-	-	-	-	76,813
Capital Outlay	-	-	-	11,903	-	11,903
Debt Service:						
Principal	-	8,770	20,000	-	-	28,770
Interest	-	-	12,477	-	-	12,477
<b>Total Expenditures</b>	<b>243,630</b>	<b>8,770</b>	<b>49,274</b>	<b>63,091</b>	<b>3,376</b>	<b>368,141</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(15,090)</b>	<b>21,504</b>	<b>8,468</b>	<b>(32,495)</b>	<b>(1,556)</b>	<b>(19,169)</b>
<b>Other Financing Uses</b>						
Transfers Out	(3,904)	-	-	(6,083)	-	(9,987)
<b>Net Change in Fund Balances</b>	<b>(18,994)</b>	<b>21,504</b>	<b>8,468</b>	<b>(38,578)</b>	<b>(1,556)</b>	<b>(29,156)</b>
<b>Fund Balances - April 1, 2005</b>	<b>299,406</b>	<b>37,515</b>	<b>28,460</b>	<b>52,021</b>	<b>4,306</b>	<b>421,708</b>
<b>Fund Balances - March 31, 2006</b>	<b>\$ 280,412</b>	<b>\$ 59,019</b>	<b>\$ 36,928</b>	<b>\$ 13,443</b>	<b>\$ 2,750</b>	<b>\$ 392,552</b>

The accompanying notes are a part of the financial statements.

# **St. James Township**

## **Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2006**

Net Change in Fund Balances - Total Governmental Funds	(29,156)
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Governmental funds report capital outlays and intangible assets  
as expenditures in the statement of activities. These costs are  
allocated over their estimated useful lives as depreciation or  
amortization.

Depreciation Expense	(75,437)
Capital Outlay	11,903

Transfers to local governmental unit for debt service costs associated with joint venture reported in governmental funds, but not in the statement of activities	9,987
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	28,770
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Changes in Net Assets - Governmental Activities	<u>\$ (53,933)</u>
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The accompanying notes are a part of the financial statements.

# St. James Township

## Proprietary Fund Statement of Net Assets March 31, 2006

<b><u>Assets</u></b>	<b><u>Yacht Dock</u></b>	<b><u>Sewer</u></b>	<b><u>Total</u></b>
Current Assets			
Cash and Cash Equivalents	\$ 28,861	\$ 4,186	\$ 33,047
Accounts Receivable	-	277	277
Total Current Assets	28,861	4,463	33,324
Noncurrent Assets			
Capital Assets	987,196	-	987,196
Less: Accumulated Depreciation	(85,332)	-	(85,332)
Total Noncurrent Assets	901,864	-	901,864
Total Assets	930,725	4,463	935,188
<b><u>Net Assets</u></b>			
Net Assets			
Invested in Capital Assets	901,864	-	901,864
Fund Balance - Undesignated	28,861	4,463	33,324
Total Net Assets	<u>\$ 930,725</u>	<u>\$ 4,463</u>	<u>\$ 935,188</u>

The accompanying notes are a part of the financial statements.

# St. James Township

## Proprietary Fund

### Statement of Revenues, Expenditures and Changes in Fund Balance

### For The Year Ended March 31, 2006

	<u>Yacht Dock</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 56,361	\$ 7,293	\$ 63,654
Other	<u>2,700</u>	<u>-</u>	<u>2,700</u>
Total Operating Revenues	59,061	7,293	66,354
<b>Operating Expenses</b>			
Salaries & Wages	27,232	2,279	29,511
Payroll Taxes	713	182	895
Insurance	1,114	-	1,114
Utilities	15,150	475	15,625
Repairs & Maintenance	9,780	1,304	11,084
Licenses & Permits	-	1,500	1,500
Supplies	<u>4,782</u>	<u>-</u>	<u>4,782</u>
Total Operating Expenditures	<u>58,771</u>	<u>5,740</u>	<u>64,511</u>
Total Operating Income Before Depreciation	290	1,553	1,843
Depreciation Expense	<u>46,783</u>	<u>-</u>	<u>46,783</u>
Total Operating Income (Loss)	(46,493)	1,553	(44,940)
<b>Nonoperating Revenue (Expenses)</b>			
Interest Income	80	-	80
Grants	<u>29,989</u>	<u>-</u>	<u>29,989</u>
Total nonoperating revenues (expenses)	<u>30,069</u>	<u>-</u>	<u>30,069</u>
<b>Change in Net Assets</b>	(16,424)	1,553	(14,871)
<b>Net Assets - April 1, 2005</b>	<u>947,149</u>	<u>2,910</u>	<u>950,059</u>
<b>Net Assets - March 31, 2006</b>	<u><u>\$ 930,725</u></u>	<u><u>\$ 4,463</u></u>	<u><u>\$ 935,188</u></u>

The accompanying notes are a part of the financial statements.

# St. James Township

## Proprietary Fund Statement of Cash Flows For The Year Ended March 31, 2006

	<u>Yacht Dock</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Fees and services	\$ 59,061	\$ 7,016	\$ 66,077
Payments for goods and services	(58,771)	(5,740)	(64,511)
Net cash provided by operating activities	290	1,276	1,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from State Grant	29,989	-	29,989
Purchase of Capital Assets	(23,209)	-	(23,209)
Net cash provided by capital and related financing activities	6,780	-	6,780
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	80	-	80
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,150	1,276	31,635
CASH AND CASH EQUIVALENTS, April 1, 2005	21,711	2,910	24,621
CASH AND CASH EQUIVALENTS, March 31, 2006	<u>\$ 28,861</u>	<u>\$ 4,186</u>	<u>\$ 33,047</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:			
Unrestricted	<u>\$ 28,861</u>	<u>\$ 4,186</u>	<u>\$ 33,047</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ (46,493)	\$ 1,553	\$ (44,940)
Depreciation	46,783	-	46,783
Adjustments to reconcile operating income to net cash provided by operating activities			
Increase in accounts receivable	-	(277)	(277)
Net cash provided by operating activities	<u>\$ 290</u>	<u>\$ 1,276</u>	<u>\$ 1,566</u>

The accompanying notes are a part of the financial statements.

# St. James Township

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## Fiduciary Fund Statement of Net Assets March 31, 2006

<b>Assets</b>	
Cash	<u>\$ 2,010</u>
<b>Liabilities</b>	
Due to Other Funds	<u>\$ 2,010</u>

The accompanying notes are a part of the financial statements.

# **St. James Township**

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## **Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2006**

**Additions:**

Property Tax Collections for:	
Primary Government	\$ 319,633
Other Governments	<u>1,124,927</u>
Total Additions	<u>1,444,560</u>

**Deductions:**

Property Tax Distributions for:	
Primary Government	317,623
Other Governments	<u>1,124,927</u>
Total Distributions	<u>1,442,550</u>

<b>Change in Net Assets</b>	2,010
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<b>Fiduciary Net Assets - April 1, 2005</b>	<u>-</u>
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<b>Fiduciary Net Assets - March 31, 2006</b>	<u><u>\$ 2,010</u></u>
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The accompanying notes are a part of the financial statements.

# **St. James Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the St. James Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the St. James Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has blended component units.

#### **Blended Component Units**

Peaine and St. James Townships are the two townships on Beaver Island. These townships support the below-listed common facilities on a 50-50 basis. The facilities supported are controlled by and blended in the comprehensive financial statements of:

#### **PEAINE TOWNSHIP**

Beaver Island Waste Management Fund  
Emergency Medical Services Fund  
Beaver Island Airport Fund

#### **ST. JAMES TOWNSHIP**

Beaver Island Fire Department Fund  
Cemetery Fund



# **St. James Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

The Beaver Island Yacht Dock is also operated jointly and controlled by St. James Township. Revenues were sufficient to support the yacht dock operations for the year ended March 31, 2006. Operating deficiencies are shared on the following basis:

	<u>PEAINE TOWNSHIP</u>	<u>ST. JAMES TOWNSHIP</u>
Yacht Dock	33 1/3 pct.	66 2/3 pct.

Financial statements for those funds that are controlled by Peaine Township, may be obtained by contacting Peaine Township on Beaver Island, Michigan.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# **St. James Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenues Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# **St. James Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

The Township reports the following major proprietary funds:

Sewer Fund – The Sewer Fund accounts for the activities of the sewage collection system.

Yacht Dock Fund – The Yacht Dock Fund accounts for the activities of the yacht dock.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **Cash and Cash Equivalents**

Cash is comprised of the amount of funds in bank accounts.

Cash equivalents consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Land Improvements	20 years
Infrastructure	40 years
Buildings and Improvements	40 years
Equipment	5 years

# **St. James Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **Long-term Obligations**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that appropriates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

As of March 31, 2006, the Township had \$606,000 of outstanding long-term debt.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### **Accounting Change**

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included.

# **St. James Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$1,644,412, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

# **St. James Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **Excess of Expenditures over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. St. James Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

### **Accumulated Fund Deficits**

The St. James Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2006.

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan

Cash and Cash Equivalents – At March 31, 2006 the carrying amount of the Township's cash and cash equivalents were \$393,835.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$222,384 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$171,451 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

# St. James Township

## Notes To Financial Statements For The Year Ended March 31, 2006

### NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 28. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

The tax rates for the year ended March 31, 2006 were as follows:

<u>PURPOSE</u>	<u>RATE/ ASSESSED VALUATION</u>
Operations:	
General Operations (Allocated)	.9776 per \$1000
General Operations (Voted)	3.1772 per \$1000
Waste Transfer Station	.9030 per \$1000
Medical Center	1.8061 per \$1000
Roads	1.8061 per \$1000
Airport	.9776 per \$1000
Fire Protection	.9030 per \$1000
Landfill	.6500 per \$1000
EMS	.6975 per \$1000
Historical Society	.2324 per \$1000

### NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows

	<u>Balance of April 1, 2005</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance of March 31, 2006</u>
Capital assets				
Infrastructure				
Solely Owned	\$ 1,250,000	\$ -	-	\$ 1,250,000

# St. James Township

## Notes To Financial Statements For The Year Ended March 31, 2006

Land and Improvements				
Solely Owned	83,836	-	-	83,836
Jointly Owned	<u>316,510</u>	<u>-</u>	<u>-</u>	<u>316,510</u>
Total Land and Improvements	400,346	-	-	400,346
Buildings and Improvements				
Solely Owned	54,257	-	-	54,257
Jointly Owned	<u>302,906</u>	<u>-</u>	<u>-</u>	<u>302,906</u>
Total Buildings and Improvements	357,163	-	-	357,163
Equipment and Furniture				
Solely Owned	99,911	11,903	-	111,814
Jointly Owned	<u>279,665</u>	<u>17,007</u>	<u>(21,334)</u>	<u>275,338</u>
Total Equipment and Furniture	379,576	28,910	(21,334)	387,152
Total Capital Assets	2,387,085	28,910	(21,334)	2,394,661
Less: Accumulated Depreciation:	<u>(696,146)</u>	<u>(75,437)</u>	<u>21,334</u>	<u>(750,249)</u>
Net Capital Assets	<u>\$ 1,690,939</u>	<u>\$ (46,527)</u>	<u>\$ -</u>	<u>\$ 1,644,412</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 22,631
Public Safety	30,175
Public Works	7,544
Recreation & Culture	<u>15,087</u>
	<u>\$ 75,437</u>

Capital asset activity of the proprietary funds for the current year was as follows:

	Balance of April 1, 2005	Additions	Disposal	Balance of March 31, 2006
Capital assets				
Buildings and Improvements				
Jointly Owned	\$ 963,987	\$ 23,209	\$ -	\$ 987,196
Less: Accumulated Depreciation:	<u>(38,549)</u>	<u>(46,783)</u>	<u>-</u>	<u>(85,332)</u>
Net Capital Assets	<u>\$ 925,438</u>	<u>\$ (23,574)</u>	<u>\$ -</u>	<u>\$ 901,864</u>



# St. James Township

## Notes To Financial Statements For The Year Ended March 31, 2006

### NOTE 6 – LONG-TERM OBLIGATIONS

A summary of long-term obligations at March 31, 2006, and transactions related thereto for the year then ended as follows:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2006</u>
<b>Notes Payable:</b>				
\$251,000 governmental obligation bond payable in annual installments of \$20,000 - \$25,000 through July, 2015, plus interest of 4.5 percent per annum Charlevoix State Bank	\$ 251,000	\$ -	\$ 20,000	\$ 231,000
\$500,000, special assessment unlimited tax bonds, due in annual installments of \$35,000 - \$40,000 through April 1, 2016, plus interest at 3.45 – 5.25 percent	375,000	-	-	375,000
	<u>\$ 626,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 606,000</u>

The annual principal requirements for the years ending thereafter are as follows:

<u>Year ended</u> <u>March 31</u>	<u>General</u> <u>Long-Term Obligations</u>
2007	\$ 55,000
2008	60,000
2009	55,000
2010	65,000
2011	60,000
2012 and thereafter	<u>311,000</u>
<b>Total</b>	<u>\$ 606,000</u>

# **St. James Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 7 – RECEIVABLES AND PAYABLES**

Receivables for the primary government at March 31, 2006 are as follows:

	<b>General Fund</b>	<b>Trust and Agency Fund</b>
Interfund Receivable	\$ 2,010	\$ -
Interfund Payable	-	2,010
	<u>\$ 2,010</u>	<u>\$ 2,010</u>

### **NOTE 8 – PENSION PLAN**

Elected members of the Township Board are eligible to participate in the St. James Township Pension Plan administered by Municipal Underwriters Insurance Company, a defined contribution plan. There are no unfunded liabilities. The Township is required to contribute 5 percent of each participant's annual compensation. Participant contributions are not required, but voluntary non-deductible contributions are allowed. Retirement expense totaled \$6,096 for the year based on eligible wages. Total payroll expense for all funds for the year ended March 31, 2006 was \$138,529.

### **NOTE 9 – FUND EQUITY RESERVATIONS AND DESIGNATIONS**

The Fire Fund has \$13,443 designated for public safety.

The Road Fund has \$36,928 designated for public works.

The Liquor Fund has \$1,500 designated for public safety.

The Debt Service Fund has \$59,019 designated for debt service.

The Cemetery Fund has \$1,250 designated for cemetery maintenance.

### **NOTE 10 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

# St. James Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 137,786	\$ 137,786	\$ 137,466	\$ (320)
Administrative Fees	13,779	13,779	10,375	(3,404)
State Revenues:				
State Shared Revenues	22,000	22,000	27,356	5,356
Contributions from Other Governments	-	-	33,878	33,878
Charges for Services	-	-	2,400	2,400
Licenses and Permits	5,000	5,000	4,461	(539)
Interest	500	500	1,127	627
Other Income	37,000	37,000	11,477	(25,523)
Total Revenues	216,065	216,065	228,540	12,475
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Salaries	7,190	7,190	7,190	-
Payroll Taxes	5,500	5,500	5,087	413
Pension	3,750	3,750	6,096	(2,346)
Professional Services	9,000	9,000	8,897	103
Printing & Publications	-	-	977	(977)
Insurance	23,000	23,000	16,545	6,455
Other Expenses	77,816	77,816	9,776	68,040
Total Legislative	126,256	126,256	54,568	71,688
<b>General Government</b>				
<b>Township Supervisor</b>				
Salary	12,324	12,324	12,324	-
Clerical	900	900	900	-
Office Supplies	-	-	390	(390)
Total Township Supervisor	13,224	13,224	13,614	(390)
<b>Township Clerk</b>				
Salary	13,350	13,350	13,350	-
Supplies	2,000	2,000	1,590	410
Total Township Clerk	15,350	15,350	14,940	410

# St. James Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Township Treasurer</b>				
Salary, Treasurer	12,324	12,324	12,324	-
Wages, Deputy Treasurer	1,236	1,236	1,234	2
Supplies	-	-	4,575	(4,575)
Total Township Treasurer	13,560	13,560	18,133	(4,573)
<b>Township Assessor</b>				
Salary	18,836	18,836	18,836	-
Supplies	1,000	1,000	4,726	(3,726)
Total Township Assessor	19,836	19,836	23,562	(3,726)
<b>Township Board of Review</b>	500	500	1,542	(1,042)
<b>Elections</b>	800	800	424	376
<b>Building and Grounds</b>				
Utilities	-	-	8,717	(8,717)
Communications	3,000	3,000	3,182	(182)
Waste and Snow Removal	-	-	1,907	(1,907)
Repairs & Maintenance	-	-	3,567	(3,567)
Other Expenses	-	-	1,976	(1,976)
Total Building & Grounds	3,000	3,000	19,349	(16,349)
<b>Total General Government</b>	66,270	66,270	91,564	(25,294)
<b>Community &amp; Economic Development</b>				
<b>Planning &amp; Zoning</b>				
Wages	5,000	5,000	1,980	3,020
Supplies	3,000	3,000	922	2,078
Total Community & Economic Development	8,000	8,000	2,902	5,098
<b>Public Safety</b>				
Police	-	-	8,183	(8,183)
Other	-	-	6,101	(6,101)
Total Public Safety	-	-	14,284	(14,284)

# St. James Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Public Works</b>				
Street Lighting	-	-	1,812	(1,812)
Utilities	-	-	1,687	(1,687)
Total Public Works	-	-	3,499	(3,499)
<b>Recreation and Culture</b>				
Salaries & Wages	5,850	5,850	11,225	(5,375)
Repairs & Maintenance	35,000	35,000	30,477	4,523
Supplies	13,000	13,000	18,170	(5,170)
Other Expenses	-	-	16,941	(16,941)
Total Recreation & Culture	53,850	53,850	76,813	(22,963)
Capital Outlay	12,000	12,000	-	12,000
Total Expenditures	266,376	266,376	243,630	22,746
<b>Excess of Revenues Over (Under) Expenditures</b>	(50,311)	(50,311)	(15,090)	35,221
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	(3,904)	(3,904)
<b>Change in Fund Balance</b>	(50,311)	(50,311)	(18,994)	31,317
<b>Fund Balance - April 1, 2005</b>	299,406	299,406	299,406	-
<b>Fund Balance - March 31, 2006</b>	<u>\$ 249,095</u>	<u>\$ 249,095</u>	<u>\$ 280,412</u>	<u>\$ 31,317</u>

# St. James Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Road Fund For The Year Ended March 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Property Taxes	\$ 66,178	\$ 66,178	\$ 57,742	\$ (8,436)
<b>Expenditures:</b>				
<b>Public Works</b>				
Road Improvements	79,957	79,957	16,797	63,160
<b>Debt Service</b>				
Principal	-	-	20,000	(20,000)
Interest	-	-	12,477	(12,477)
Total Debt Service	-	-	32,477	(32,477)
Total Expenditures	79,957	79,957	49,274	30,683
<b>Excess of Revenues over Expenditures</b>	(13,779)	(13,779)	8,468	22,247
<b>Fund Balance - April 1, 2005</b>	25,763	25,763	28,460	-
<b>Fund Balance - March 31, 2006</b>	\$ 11,984	\$ 11,984	\$ 36,928	\$ 24,944

# St. James Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Fire Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property Taxes	\$ 66,174	\$ 66,174	\$ 28,879	\$ (37,295)
Refunds	-	-	1,517	1,517
Other Income	6,125	6,125	200	(5,925)
Total Revenues	72,299	72,299	30,596	(41,703)
<b>Expenditures:</b>				
<b>Legislative</b>				
Payroll Taxes	-	-	402	(402)
Insurance	-	-	15,121	(15,121)
Total Legislative	-	-	15,523	(15,523)
<b>Public Safety</b>				
Wages	10,000	10,000	5,000	5,000
Other Expenses	67,600	67,600	30,665	36,935
Total Public Works	77,600	77,600	35,665	41,935
<b>Capital Outlay</b>	72,774	72,774	11,903	60,871
Total Expenditures	150,374	150,374	63,091	87,283
<b>Excess of Revenues Over (Under) Expenditures</b>	(78,075)	(78,075)	(32,495)	45,580
<b>Other Financing Uses</b>				
Transfers Out	-	-	(6,083)	(6,083)
<b>Change in Fund Balance</b>	(78,075)	(78,075)	(38,578)	39,497
<b>Fund Balance - April 1, 2005</b>	68,021	68,021	52,021	-
<b>Fund Balance - March 31, 2006</b>	\$ (10,054)	\$ (10,054)	\$ 13,443	\$ 23,497

# St. James Township

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## Other Supplementary Information Balance Sheet Nonmajor Funds March 31, 2006

	<u>Cemetery Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	<u>\$ 1,250</u>	<u>\$ 1,500</u>	<u>\$ 2,750</u>
<u>Fund Equity</u>			
Fund Balance: Unreserved	<u>\$ 1,250</u>	<u>\$ 1,500</u>	<u>\$ 2,750</u>



# St. James Township

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## Other Supplemental Information Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Funds For The Year Ended March 31, 2006

	<u>Cemetery Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
<b>Revenues:</b>			
State Shared Revenues	\$ -	\$ 1,820	\$ 1,820
<b>Expenditures:</b>			
<b>General Government</b>			
<b>Building and Grounds</b>			
Maintenance & Repairs	1,450	-	1,450
Supplies	335	-	335
	<u>1,785</u>	<u>-</u>	<u>1,785</u>
Total General Government			
	<u>-</u>	<u>1,591</u>	<u>1,591</u>
<b>Public Safety</b>			
	<u>-</u>	<u>1,591</u>	<u>1,591</u>
Total Expenditures	<u>1,785</u>	<u>1,591</u>	<u>3,376</u>
<b>Excess of Revenues over Expenditures</b>	(1,785)	229	(1,556)
<b>Fund Balance - April 1, 2005</b>	<u>3,035</u>	<u>1,271</u>	<u>4,306</u>
<b>Fund Balance - March 31, 2006</b>	<u>\$ 1,250</u>	<u>\$ 1,500</u>	<u>\$ 2,750</u>

# St. James Township

## Statement of Tax Levy and Collections March 31, 2006

	Millage Rate	Adjusted Levy	Collected	Returned Delinquent
Charlevoix County	4.6276	\$ 171,721	\$ 153,148	\$ 18,573
Seniors	0.3938	14,606	12,584	2,022
Medical Care Facility	1.2528	46,477	40,044	6,433
County Transit	0.2461	9,125	7,862	1,263
Recycle	0.1476	5,470	4,713	757
Beaver Island Public School	18.1700	541,816	469,160	72,656
Char-Emmet ISD	2.7022	100,249	86,373	13,876
Beaver Island District Library	0.0900	33,404	28,779	4,625
Beaver Island Medical Center	1.8061	67,019	58,704	8,315
Beaver Island EMS	0.6975	25,877	22,234	3,643
Beaver Island Historical Society	0.2324	8,617	6,577	2,040
SET	6.0000	222,661	212,055	10,606
Township:				-
General	4.1548	154,171	133,043	21,128
Fire	0.9030	33,504	28,917	4,587
Roads	1.8061	67,019	57,843	9,176
Sewer	-	46,534	30,134	16,400
Airport	0.9776	36,272	31,294	4,978
Waster Transfer	1.5530	57,619	48,794	8,825
Tax Collection Fee	-	16,405	12,302	4,103
Total	<u>45.7606</u>	<u>\$ 1,658,566</u>	<u>\$ 1,444,560</u>	<u>\$ 214,006</u>

Percent of Levy Collected 87.10%

**MASON & KAMMERMANN, P.C.**  
*CERTIFIED PUBLIC ACCOUNTANTS*

HUGH E. MASON  
VELDA K. KAMMERMANN

110 Park Avenue  
Charlevoix, Michigan 49720  
Telephone (231) 547-4911  
Facsimile (231) 547-5911

October 3, 2006

To the Board of Trustees  
St. James Township

We have audited the financial statements of St. James Township for the year ended March 31, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated, May 18, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of St. James Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by St. James Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Issues Discussed Prior to Retention of Independent Auditors**

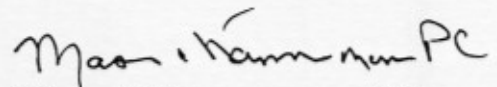
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

The Township changed the computerized accounting system at the beginning of the fiscal year under audit. As one would expect with change, some problems would occur. The change, although not without some difficulties, has been implemented and is operating. We would recommend that you contact us close to the next fiscal year end for assistance and advice in closing the year ending March 2007.

This information is intended solely for the use of the Board of Trustees and management of St. James Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Mason & Kammermann PC".

Mason & Kammermann, P.C.  
Certified Public Accountants